



*United States Attorney
Southern District of New York*

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**THREE MEN INDICTED IN FEDERAL COURT FOR ORCHESTRATING
\$12 MILLION "PUMP AND DUMP" SCHEME**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced the filing late yesterday in Manhattan federal court of a 14-count Indictment charging HERBERT S. CANNON, a stock promoter, MORI A. SCHWEITZER, a retired attorney, and STEVEN STALTARE, the former co-manager of the Ft. Lauderdale branch of Global Financial Group, Inc., with participating in a scheme to manipulate the price of four publicly traded stocks from in or about April 1997 through in or about June 2000. CANNON, SCHWEITZER, and STALTARE are charged with, among other things, conspiracy to commit securities fraud, wire fraud, and commercial bribery; conspiracy to commit money laundering; and tax evasion.

According to the Indictment, CANNON and SCHWEITZER obtained stock and other securities in four small publicly-traded companies at little or no cost, paid bribes to stock brokers at Global Financial Group, Inc., a broker-dealer in Ft. Lauderdale, Florida, in order to create demand for the stocks, and hid the proceeds of their fraud in accounts based in Gibraltar and Anguilla.

The Indictment alleges that CANNON purported to provide investment banking and financial advisory services to the manipulated companies through HSC Consulting, Inc., a consulting firm that he ran from an office in his home in Boca Raton, Florida. According to the Indictment, CANNON and SCHWEITZER obtained large blocks of securities at little or no cost in American ATM Corp., American Casinos International, Inc., Enterprises Solutions, Inc., and Cybergames, Inc., whose securities traded on the NASD Over The Counter Bulletin Board, and deposited them into brokerage accounts that were opened in the names of a network of offshore companies that CANNON and SCHWEITZER owned and controlled, for the purpose of concealing, among other things, their ownership and control over the securities and any proceeds realized from the subsequent sale of these securities. The Indictment alleges the offshore companies controlled by CANNON and SCHWEITZER included Effingham Ltd., Humphrey Ltd., Coltmill Ltd., Montville Ltd., and Rowen House Ltd., all of which were based in Gibraltar, and Third ARA Holding, Ltd., which was based in Anguilla.

The Indictment further alleges that CANNON and SCHWEITZER paid secret bribes to STALTARE and other Global Financial employees, in order to induce brokers in the Ft. Lauderdale branch office of Global Financial to sell the securities owned by CANNON and SCHWEITZER to their customers at artificially high prices. According to the Indictment, the brokers persuaded their customers to buy the securities without

telling their customers of the source of the securities or the fact of the bribes.

According to the Indictment, CANNON, SCHWEITZER, and others caused bank accounts to be opened in the names of the offshore companies that CANNON and SCHWEITZER secretly owned and controlled, and deposited into those accounts the proceeds derived from the fraudulent sales of the securities, in order to, among other things, conceal their ownership of the securities and promote the continued fraudulent sale of the Securities by continuing to bribe STALTARE and others at Global Financial. The Indictment alleges that STALTARE and others at Global Financial, in turn, caused bank accounts to be opened in the names of offshore companies that they secretly owned and controlled, in order to, among other things, (1) receive and conceal the secret bribes they were receiving from CANNON and SCHWEITZER; (2) pay themselves; and (3) pay the operating expenses of the Fort Lauderdale branch office of Global Financial.

The Indictment charges that CANNON and SCHWEITZER reaped approximately \$12 million in proceeds from their sales of the securities and paid approximately \$4.25 million in bribes to STALTARE and other employees of Global Financial.

The Indictment charges CANNON, SCHWEITZER, and STALTARE with one count of conspiracy to commit securities fraud, wire fraud, and commercial bribery; and one count of securities fraud. On the conspiracy count, the defendants face a maximum penalty of five years' imprisonment, a maximum term of three years'

supervised release, and a fine of the greater of \$250,000 or twice the gross gain or loss resulting from the offense. The securities fraud count carries a maximum penalty of ten years in prison, a maximum term of three years' supervised release, and a maximum fine of \$1 million, or twice the gross gain or loss resulting from the crime.

The Indictment charges CANNON, SCHWEITZER, and STALTARE with one count of conspiracy to violate the laws against money laundering. If convicted of this conspiracy count, each defendant faces a maximum penalty of 20 years in prison, a maximum term of three years' supervised release, and a maximum fine of \$500,000. CANNON and SCHWEITZER are separately charged with two counts of money laundering. Each money laundering count carries a maximum penalty of 20 years in prison, a maximum term of 3 years' supervised release, and a maximum fine of \$500,000.

Finally, the Indictment charges CANNON and SCHWEITZER each with one count of conspiracy to evade the tax laws and four counts of income tax evasion. On the conspiracy count, the defendants face a maximum penalty of five years' imprisonment and a fine of \$250,000. The tax evasion counts carry a maximum penalty of five years in prison, a maximum term of 3 years' supervised release, and a maximum fine of \$100,000.

CANNON, 73, resides in Boca Raton, Florida.

SCHWEITZER, 72, resides in Boca Raton, Florida.

STALTARE, 39, resides in Ft. Lauderdale, Florida.

The defendants are expected to surrender to the United

States Postal Inspectors in New York, New York, on Thursday, August 12, 2004.

Mr. KELLEY praised the efforts of the U.S. Postal Inspection Service and the Internal Revenue Service and thanked the United States Securities and Exchange Commission for its assistance in the investigation of this case.

Assistant United States Attorney KATHERINE POLK FAILLA and Special Assistant United States Attorney RHONDA L. JUNG are in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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